

House Engrossed

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**KEN BENNETT
SECRETARY OF STATE**

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House of Representatives
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CHAPTER 140

HOUSE BILL 2360

AN ACT

AMENDING SECTIONS 35-454, 35-455 AND 35-473.01, ARIZONA REVISED STATUTES;
RELATING TO GENERAL OBLIGATION BONDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-454, Arizona Revised Statutes, is amended to
3 read:

4 35-454. Informational pamphlet for election; review; election;
5 return; canvass of vote; certificate of election

6 A. The governing body or board of the political subdivision shall:

7 1. Not less than thirty-five days before the bond election, mail a
8 copy of an informational pamphlet to every household within the political
9 subdivision that contains a registered voter. The pamphlet shall contain
10 information on the:

11 (a) Amount of the bond authorization.

12 (b) Maximum interest rate of the bonds.

13 (c) Estimated debt retirement schedule for the current amount of bonds
14 outstanding, showing both principal and interest payments, the current
15 secondary assessed valuation as reported by the department of revenue or the
16 county assessor and the current adopted and estimated tax rates. ~~In~~ FOR THE
17 PURPOSES OF this paragraph, "secondary assessed valuation" may include the
18 values used to determine voluntary contributions collected pursuant to title
19 9, chapter 4, article 3 and title 48, chapter 1, article 8.

20 (d) Estimated debt retirement schedule for the proposed bond
21 authorization, showing both the estimated principal and interest payments and
22 the estimated average annual tax rate for the proposed bond authorization.
23 In preparing this information and the information prescribed by subdivision
24 (c), the projected total annual increase in secondary assessed valuation for
25 any future year shall not exceed:

26 (i) For the first five years of the estimated debt retirement
27 schedule, the average of the annual percentage growth for the previous ten
28 years in the secondary assessed valuation of the political subdivision.

29 (ii) For the remaining years of the estimated debt retirement
30 schedule, twenty per cent of the average of the annual percentage growth for
31 the previous ten years in the secondary assessed valuation of the political
32 subdivision.

33 (e) Source of repayment.

34 (f) Estimated issuance costs.

35 (g) Estimated tax impact of debt service for the bonds on an
36 owner-occupied residence classified as class three pursuant to section
37 42-12003 and on commercial property classified as class one pursuant to
38 section 42-12001, paragraph 12, assuming the assessed valuation of the
39 property ~~remains constant~~ INCREASES ANNUALLY AT FIFTY PER CENT OF THE
40 PROJECTED TOTAL ANNUAL INCREASE IN SECONDARY ASSESSED VALUATION AS DETERMINED
41 PURSUANT TO SUBDIVISION (d) over the term of the bonds using the same average
42 annual tax rate as under subdivision (d), as follows:

1 The tax impact over the term of the bonds on an
2 owner-occupied residence valued by the county assessor at
3 \$250,000 is estimated to be \$___ per year for __ years, or \$___
4 total cost.

5 The tax impact over the term of the bonds on commercial
6 property valued by the county assessor at \$2,500,000 is
7 estimated to be \$___ per year for __ years, or \$_____ total
8 cost.

9 (h) In bold-faced type, estimated total cost of the proposed bond
10 authorization, including principal and interest.

11 (i) Current outstanding general obligation debt and constitutional
12 debt limitation.

13 (j) Purpose for which the bonds are to be issued AND, IF APPLICABLE,
14 IN BOLD-FACED TYPE, THAT THE AMOUNT OF THE PROPOSED BOND AUTHORIZATION
15 COMBINED WITH THE CURRENT OUTSTANDING DEBT EXCEEDS THE POLITICAL
16 SUBDIVISION'S CONSTITUTIONAL DEBT LIMIT.

17 (k) Polling location for the addressee.

18 (l) Hours during the day when the polls will be open.

19 (m) Arguments for and against the authorization of one or more of the
20 bond propositions.

21 2. Submit a copy of the informational pamphlet to the department of
22 revenue within thirty days after the bond election. The department of
23 revenue shall maintain copies of the pamphlets.

24 B. The failure of any one or more electors to receive the
25 informational pamphlet shall not be grounds to invalidate the election. The
26 election shall conform with the general election laws of the state. The
27 return of the election held in a county shall be made to the board of
28 supervisors and, in any other case, to the governing body or board of the
29 municipal corporation or district within twelve days after the election.

30 C. For any proposed general obligation bond authorization where the
31 principal and interest will be paid by a levy of property taxes, the ballot
32 shall contain the phrase "the issuance of these bonds will result in an
33 ~~annual levy of property taxes sufficient to pay the debt on the bonds~~ A
34 PROPERTY TAX INCREASE SUFFICIENT TO PAY THE ANNUAL DEBT SERVICE ON BONDS".
35 Any written information provided by the political subdivision pertaining to
36 the bond election shall include financial information showing the estimated
37 average tax rate for the proposed bond authorization.

38 D. If the governing body intends to use revenues other than property
39 taxes to pay the debt on proposed general obligation bonds, the ballot shall
40 contain the phrase "the issuance of these bonds will result in an ~~annual levy~~
41 ~~of property taxes sufficient to pay the debt on the bonds~~ A PROPERTY TAX
42 INCREASE SUFFICIENT TO PAY THE ANNUAL DEBT SERVICE ON BONDS, unless the
43 governing body provides for payment from other sources".

44 E. The board of supervisors, governing body or governing board shall
45 hold a special meeting within twenty days after the election to canvass the

1 votes cast and certify the result. The certificate of the result shall be
2 prima facie evidence of full performance of all conditions and requirements
3 precedent to holding the election.

4 F. The governing board or body shall file and record in the office of
5 the county recorder a certificate disclosing the purpose of the election, the
6 total number of votes cast and the total number of votes for and against
7 creating the indebtedness, and stating whether or not the indebtedness is
8 ordered. Upon filing and recording the certificate, the governing board or
9 body shall carry out the purpose of the election.

10 G. Variations between the estimates required by subsection A OF THIS
11 SECTION and the actual debt retirement schedules, issuance costs, annual and
12 total costs and tax rates shall not invalidate either the election or the
13 bonds.

14 Sec. 2. Section 35-455, Arizona Revised Statutes, is amended to read:
15 35-455. Issuance and sale of bonds; call for election

16 A. When the political subdivision designated in this article desires
17 to issue bonds or other evidences of indebtedness, the governing body or
18 board thereof may, with the assent of a majority of the qualified electors
19 therein voting at the election held as provided by section 35-454, MAY issue
20 and sell bonds in the amount authorized at the election.

21 B. The call for the election shall set forth the aggregate amount of
22 the bonds, the maximum rate of interest to be paid thereon, the MINIMUM AND
23 maximum number of years bonds of any issue or series may run from their date,
24 and the purposes for which the money derived from the sale of the bonds will
25 be expended, THE CURRENT OUTSTANDING GENERAL OBLIGATION DEBT AND THE
26 CONSTITUTIONAL DEBT LIMITATION OF THE POLITICAL SUBDIVISION.

27 C. Bonds of any issue or series of bonds voted under this section may
28 run for any number of years not exceeding the longest period permitted by the
29 voted proposition.

30 D. The governing body or board may expend the monies received from the
31 sale of the bonds only for the purposes stated in the ballot and for the
32 necessary costs and expenses of the issuance and sale of the bonds. If an
33 unexpended balance remains after satisfying the purposes of the bonds, the
34 balance shall be used to retire the bonded indebtedness.

35 Sec. 3. Section 35-473.01, Arizona Revised Statutes, is amended to
36 read:

37 35-473.01. Refunding bonds issued in advance of maturity of the
38 bonds to be refunded; definition

39 A. Refunding bonds, designated as such, may also be authorized, issued
40 and sold pursuant to ~~the provisions of~~ this article for the purpose of
41 refunding any bonds theretofore issued under the authority of article 3 of
42 this chapter or under the authority of both article 3 of this chapter and
43 title 9, chapter 5, article 3 or under the authority of title 15, chapter 4,
44 article 5 and chapter 9, article 7 or by any political subdivision which is a
45 public, corporate body under the laws of this state the property of which is

1 exempt from taxation, for the purpose of refunding any bonds, theretofore
2 issued under authority of law and payable from the proceeds of taxes,
3 including assessments, which may be levied annually at uniform rates and are
4 secured by property subject thereto in the political subdivision, in advance
5 of the maturity or call date of such bonds to be refunded. IF THE WEIGHTED
6 AVERAGE MATURITY OF THE REFUNDING BONDS IS AT LEAST SEVENTY-FIVE PER CENT OF
7 THE WEIGHTED AVERAGE MATURITY OF THE BONDS BEING REFUNDED, no election on the
8 issuance of the refunding bonds shall be required. ~~but~~ If the refunding
9 bonds are combined into a single issue with bonds authorized for nonrefunding
10 purposes, the bonds so authorized for nonrefunding purposes shall have been
11 submitted at an election as otherwise provided by law.

12 B. When refunding bonds issued pursuant to this section are sold, the
13 net proceeds shall be invested in obligations issued by or guaranteed by the
14 United States government, ~~so long as such~~ IF THESE investments will mature
15 with interest so as to provide funds to pay when due, or called for
16 redemption, the bonds to be refunded together with interest thereon and
17 redemption premiums, if any, and such proceeds or obligations shall, and
18 other funds legally available for such purposes may, be deposited in the
19 respective principal and interest redemption funds and shall be held in trust
20 for the payment of the refunded bonds with interest and redemption premiums,
21 if any, on maturity or upon an available redemption date or upon an earlier
22 voluntary surrender with the consent of the issuer.

23 C. When bonds are issued in advance of maturity of the bonds being
24 refunded, the holder of the refunding bonds shall rely upon the sufficiency
25 of the funds or securities held in trust for the payment of the refunded
26 bonds. The issuance of refunding bonds shall in no way infringe upon the
27 rights of the holder of the refunded bonds to rely upon a tax levy for the
28 payment of principal and interest on the refunded bonds if the investments in
29 the redemption funds prove insufficient. The total aggregate of taxes levied
30 to pay principal and interest on the refunding bonds in the aggregate shall
31 not exceed the total aggregate principal and interest to become due on the
32 refunded bonds from the date of issuance of the refunding bonds to the final
33 date of maturity on the bonds being refunded. Subject to such limitation,
34 taxes in an amount sufficient to pay the interest on all refunding bonds
35 issued pursuant to this section, then outstanding, the installments of the
36 principal thereof becoming due and payable in the ensuing year, and the
37 annual portion of such sinking fund as may be set up for retirement thereof,
38 shall be levied, assessed and collected as other taxes of the political
39 subdivision and the proceeds therefrom kept in a special fund and used only
40 for the purposes for which collected.

41 D. Proceedings pursuant to this section shall be had by the board or
42 boards which would be authorized to issue and sell the bonds to be refunded
43 if such bonds were then to be issued and sold. The refunding bonds to be
44 issued pursuant hereto may be of serial, including semiannual, or term
45 maturities payable at any time on or before the maximum maturity date

1 otherwise authorized by this article, and the provisions relating to
2 execution, validity, records, place of payment and payment, cancellation and
3 destruction upon maturity of the bonds to be refunded shall apply to such
4 refunding bonds.

5 E. Refunding bonds to be issued pursuant to this section may be
6 combined with bonds otherwise authorized, provided that they are of equal
7 priority.

8 F. The powers conferred by this section are in addition to, and not in
9 substitution of, and the limitations imposed by this section shall not affect
10 the powers conferred by any other law.

11 G. The amount of net premium associated with a refunding bond issue
12 may not exceed the total of the following:

13 1. The difference between the amount required to fund the escrow
14 account and the par amount of the refunded bonds.

15 2. The costs of the issuance of the refunding bonds that may be paid
16 from premium, up to two per cent of the par value of the refunded bonds.

17 H. Any net premium not used to pay the costs of the bond issue or to
18 fund the escrow account shall be deposited in a debt service fund and used to
19 pay interest on the bonds.

20 I. For THE purposes of this section, "net premium" means the
21 difference between the par amount of the bond issue and the bond issue price
22 determined pursuant to United States treasury regulations.

APPROVED BY THE GOVERNOR JULY 13, 2009.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 13, 2009.